

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:3125
ANSWERED ON:03.08.2017
Power Purchase Agreement
Tarai Smt. Rita

Will the Minister of POWER be pleased to state:

- (a) whether power is no more a scarce commodity in the present scenario and is available on exchanges at an instantly agreed rate;
- (b) if so, the details thereof;
- (c) whether it has become virtually difficult and even unpredictable to know the power rate over a longer period of time and if so, the details thereof;
- (d) whether the risk borne by the States like Odisha entering into 25 years PPA becomes too high to handle on account of volatility of power prices in the long run, if so, the details thereof; and
- (e) whether his Ministry proposes to consider necessary modification for signing of the PPAs between the Generator and Beneficiary for a period of 5 years (not for 25 years) with provision for review after 5 years, if so, the details thereof and the time-frame for the same?

Answer

THE MINISTER OF STATE (INDEPENDENT CHARGE) FOR POWER,
COAL, NEW & RENEWABLE ENERGY AND MINES

(SHRI PIYUSH GOYAL)

(a) & (b) : Yes, Madam, power is no more a scarce commodity. The peak and energy shortages have progressively reduced over the year and were at 1.6% and 0.7% respectively in the year 2016-17. Price discovered on exchanges follows principles of demand and supply. The price and quantum of electricity to be transacted is determined through a double sided closed auction bidding process on exchanges. The details of Power Supply position and Peak Demand/Peak met of the states for the month of June, 2017 as per the Central Electricity Authority report is attached at Annexure-I. The rates prevalent on the Power Exchanges as per the Central Electricity Regulatory Commission (CERC) Market Monitoring Cell report are attached at Annexure-II.

(c) : In the case of long term PPAs under cost plus approach, the tariff is governed by certain pre-specified factors in the Regulations of the Appropriate Commission, which is generally determined annually. In case of long term PPAs based on tariff based competitive bidding; the year to year tariff is based on adjustments based on pre-specified indices on escalable components. In case of short term contracts, the rate of power is unpredictable only because the rate fluctuates significantly according to the demand and supply during the period.

(d) & (e) : State Distribution Companies are expected to manage their power purchase portfolio to optimize power purchase cost and risks using various power purchase agreement (PPAs) under Long Term (upto 25 years), Medium term (more than 1 Year upto 5 years) and Short Term (upto 1 year) for which adequate provisions already exists under the Model Bidding Documents notified under section 63 of the Electricity Act, 2003.
